

**City of Cottonwood Falls  
Chase County, Kansas**

**Independent Auditors' Report and  
Regulatory Basis Financial Statement  
Year Ended December 31, 2019**

City of Cottonwood Falls  
Chase County, Kansas

Regulatory Basis Financial Statement  
Year Ended December 31, 2019

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Summary Statement of Receipts, Expenditures, and Unencumbered Cash	3
Notes to the Financial Statement	4-10
Regulatory-Required Supplementary Information:	
Schedule 1 – Summary of Expenditures	11
Schedule 2 – Schedule of Receipts and Expenditures	
General Fund	12
Special Purpose Funds:	
Sales Tax Fund	13
Special Highway Fund	14
Special Parks & Recreation Fund	15
Municipal Equipment Reserve Fund	16
Capital Improvement Reserve Fund	17
Swope Park Equipment Fund	18
Streetscape Fund	19
Community Building Equipment Fund	20
Veterans Memorial Fund	21
Cottonwood Falls Volunteers	22
Pool Renovation Fund	23
Bill North Courtyard Fund	24
Chase Disc Golf Fund	25
Christmas Lights Fund	26
Business Funds:	
Sewer Fund	27
Solid Waste Fund	28
Water Fund	29
Schedule 3 – Agency Funds	30

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### Independent Auditors' Report

Mayor and City Council  
City of Cottonwood Falls, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Cottonwood Falls, Kansas, as of and for the year ended December 31, 2019 and the related notes to the financial statement.

#### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Cottonwood Falls, Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United State of America.

The effects on the financial statement of variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Cottonwood Falls, Kansas, as of December 31, 2019, or the changes in financial position and cash flows for the year then ended.

**Unmodified Opinion on Regulatory Basis of Accounting**

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Cottonwood Falls, Kansas, as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

**Other Matters – Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and disbursements-agency funds, (Schedules 1,2, and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

I also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Cottonwood Falls, Kansas as of and for the year ended December 31, 2018 (not presented herein), and have issued my report dated August 22 2019, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and my report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/chief-financial-officer/municipal-services/municipal-audits>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for analysis and are not a required part of the basic financial statement. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statement. The 2018 comparative information has been subjected to the auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 2018 comparative information is fairly stated in all material respects, in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.



Cindy Jensen, CPA  
August 10, 2020

City of Cottonwood Falls  
Chase County, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2019

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	\$ 297,787	\$ 0	\$ 439,926	\$ 449,182	\$ 288,531	\$ 9,778	\$ 298,309
Special Purpose Funds							
Sales Tax Fund	197,431	0	161,029	77,512	280,948	0	280,948
Special Highway	30,978	0	23,728	32,270	22,436	0	22,436
Special Parks & Recreation	4,899	0	1,247	0	6,146	0	6,146
Municipal Equipment Reserve	2,311	0	250	0	2,561	0	2,561
Capital Improvement Reserve	0	0	0	0	0	0	0
Swope Park Equipment	7,251	0	0	0	7,251	0	7,251
Streetscape	955	0	400	151	1,204	10	1,214
Community Building Equip	85	0	0	0	85	0	85
Veteran's Memorial	6,031	0	280	2,380	3,931	0	3,931
Cottonwood Falls Volunteers	80	0	0	0	80	0	80
Pool Renovation	5,000	0	0	0	5,000	0	5,000
Bill North Courtyard	785	0	0	770	15	170	185
Chase Disc Golf	2,021	0	235	1,490	766	0	766
Christmas Lights	81	0	0	0	81	0	81
Business Fund							
Sewer	48,674	0	38,753	44,174	43,253	5,893	49,146
Solid Waste	113,833	0	156,283	138,151	131,965	6,530	138,495
Water	292,784	0	292,401	314,722	270,463	15,516	285,979
Total Reporting Entity(Excluding Agency Funds Schedule 3)	<u>\$ 1,010,986</u>	<u>\$ 0</u>	<u>\$ 1,114,532</u>	<u>\$ 1,060,802</u>	<u>\$ 1,064,716</u>	<u>\$ 37,897</u>	<u>\$ 1,102,613</u>

Composition of Cash Balance:

Checking	\$ 849,051
Certificates of Deposit	255,484
Petty Cash	150
Total Cash Balance	<u>1,104,685</u>
Less: Agency Funds per Schedule 3	<u>(2,072)</u>
Total Reporting Entity	<u>\$ 1,102,613</u>

The accompanying notes to the financial statement are an integral part of this statement.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 1 – Summary of Significant Accounting Principles

Financial Reporting Entity

The City of Cottonwood Falls is a governmental entity governed by an elected five-member Council and Mayor. The City's major operations include public safety and transportation, culture and recreation, and general administrative services. The City also operates three major business type activities: a sewer system, a solid waste system, and a water system.

This financial statement presents the City of Cottonwood Falls (the municipality) but does not include any related municipal entities of the City of Cottonwood Falls.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

General Fund (the chief operating fund) - used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Business Fund – a fund financed in whole or in part, by fees charged to users of the goods or services (enterprise and internal service fund, etc.).

Agency Fund – used to report assets held by the municipal reporting entity in a purely custodial capacity.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures of the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables or any other assets, liabilities or deferred inflows, other than those mentioned above.

The City has approved a resolution that is in compliance-with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (Cont.)

Use of Estimates

The preparation of the financial statement in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures at the date of the financial statement. Accordingly, actual results could differ from those estimates.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5<sup>th</sup>.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess-of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and certain other special purpose funds as noted in the presentation of the appropriate Schedule 2.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 2 – Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports and legal representatives of the municipality.

Management is not aware of any noncompliance with Kansas statutes.

Note 3 – Deposits and Investments

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in-excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. Deposits were legally secured at December 31, 2019.

At year-end, the carrying amount of the City's deposits was \$1,104,535 and the bank balance was \$1,108,537. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and \$608,537 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City held no investments at December 31, 2019.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 4 – Property Taxes

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year, and the second installment is due May 10 of the subsequent year. The county treasurer collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following years operations.

Note 5 – Long-Term Debt

KDHE loan

The City of Cottonwood Falls entered into a loan agreement with the Kansas Dept. of Health and Environment on October 1, 2012, to finance a portion of the cost to replace water lines, associated service lines, and meters in the City. The original authorized loan amount was \$1,100,000, which was amended on October 19, 2015 to \$1,166,876. The City made a payment of \$34,302 on February 1, 2015. After that, semi-annual principal and interest payments in the amount of \$36,250 began on August 1, 2015. The payments are due on February 1 and August 1 of each year, with the final payment to be made on August 1, 2034. Payments on this loan are to be made from revenues of the Water fund.

Lease Agreements

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a 2008 Kenworth Trash Truck on January 18, 2016 for \$73,200. The City made an initial payment of \$13,200 on January 18, 2016. Sixteen quarterly payments of \$4,056 are scheduled, beginning April 18, 2016. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the Solid Waste fund.

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a Hustler Mower on September 14, 2016 for \$19,170. The City made an initial payment of \$3,170 on September 14, 2016. Five annual payments of \$3,200 plus interest are scheduled, beginning September 14, 2017. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the General, Water, and Sewer funds.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 5 – Long-Term Debt (Cont)

Changes in long-term liabilities for the year ended December 31, 2019 were as follows:

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Due January 1	Additions	Reductions/ Payments	Balance Due December 31	Interest Paid
KDHE Water loan	2.25%	10/1/2012	1,166,876	8/1/2034	\$ 966,426	\$ 0	\$ 50,800	\$ 915,626	\$ 21,460
Capital Leases									
Trash truck	3.75%	1/18/2016	73,200	1/18/2020	19,721	0	11,722	7,999	445
Hustler mower	3.75%	9/14/2016	19,170	9/14/2021	9,600	0	3,200	6,400	365
Total contractual indebtedness					<u>\$ 995,747</u>	<u>\$ 0</u>	<u>\$ 65,722</u>	<u>\$ 930,025</u>	<u>\$ 22,270</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2020	2021	2022	2023	2024	2025-2029	2030-2034	Total
Principal								
KDHE Water loan	\$ 51,949	\$ 53,125	\$ 54,327	\$ 55,556	\$ 56,813	\$ 303,939	\$ 339,917	\$ 915,626
2008 Trash Truck	7,999	0	0	0	0	0	0	7,999
Hustler mower	3,200	3,200	0	0	0	0	0	6,400
Total Principal	<u>63,148</u>	<u>56,325</u>	<u>54,327</u>	<u>55,556</u>	<u>56,813</u>	<u>303,939</u>	<u>339,917</u>	<u>930,025</u>
Interest								
KDHE Water loan	20,311	19,136	17,934	16,704	15,447	57,362	21,386	168,280
2008 Trash Truck	113	0	0	0	0	0	0	113
Hustler mower	244	122	0	0	0	0	0	366
Total Interest	<u>20,668</u>	<u>19,258</u>	<u>17,934</u>	<u>16,704</u>	<u>15,447</u>	<u>57,362</u>	<u>21,386</u>	<u>168,759</u>
Total Principal & Interest	<u>\$ 83,816</u>	<u>\$ 75,583</u>	<u>\$ 72,261</u>	<u>\$ 72,260</u>	<u>\$ 72,260</u>	<u>\$ 361,301</u>	<u>\$ 361,303</u>	<u>\$ 1,098,784</u>

Note 6 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions insurance coverage from coverage in prior years.

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 7 – Other Long-Term Obligations from Operations

Compensated Absences

The City employees earn and accumulate up to 5 days of vacation during the first year of employment; earn 10 days and accumulate 15 days up to 7 years of employment; and earn 15 days and accumulate 15 days thereafter. Employees having accumulated more vacation days before the August 2, 1993 adoption of this policy are allowed to carry forward those days under the prior policy. The City's full-time employees earn up to 12 days per year of sick time and part-time employees earn up to 6 days per year. No employee may accumulate more than 100 days of sick leave and no sick pay is paid upon separation of service. Compensated absence payments are made from the fund that corresponds to the employee's duties.

Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2019.

Note 8 – Defined Benefit Pension Plan

Plan Description

The City of Cottonwood Falls, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which may be found on the website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Ks. 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is KPERS 1, KPERS 2, or a KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rate for KPERS 1, KPERS 2, and KPERS 3 to be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability

City of Cottonwood Falls  
Chase County, Kansas

Notes to the Financial Statement  
December 31, 2019

Note 8 – Defined Benefit Pension Plan (Cont.)

Contributions (Cont)

Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City of Cottonwood Falls were \$21,037 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$174,266. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

Note 9 – Public Wholesale Water Supply District #26

Public Wholesale Water Supply District No. 26 was formed on May 31, 2011 for the purpose of providing water to its members. Members of the District are: The City of Cottonwood Falls, the City of Strong City, and the Chase County Rural Water District No. 1. The initial water cost to the City will be \$5.29 per thousand gallons with a minimum commitment of 2,425,000 per month. The contract extends 40 years from the date of initial delivery of water which was in March 2016.

The City entered into a contract with PWWSD#26 to provide water system operator services. The City of Cottonwood Falls will operate the plant when Strong City personnel are absent and shall alternate holiday and weekend duties with Strong City personnel. PWWSD#26 agrees to reimburse the City based on the hourly rate of the employee, including leave, benefits, and employer payroll taxes plus an additional 10%. The term of the agreement is for one year and continues indefinitely until either party gives written notice.

The City entered into a contract with PWWSD#26 to lease the City's existing water wells and water rights. PWWSD#26 will pay the City \$100 annually for a term of 40 years or as long as the lessee produces potable water in sufficient quantities, whichever occurs first.

**Regulatory – Required  
Supplementary Information**

City of Cottonwood Falls  
Chase County, Kansas

Schedule 1

Summary of Expenditures-Actual and Budget  
Regulatory Basis  
Budgeted Funds Only  
For the Year Ended December 31, 2019

<u>FUNDS</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General Fund	\$ 647,148	\$ 0	\$ 647,148	\$ 449,182	\$ (197,966)
Special Purpose Funds					
Sales Tax	332,530	0	332,530	77,512	(255,018)
Special Highway	49,005	0	49,005	32,270	(16,735)
Special Parks & Recreation	8,373	0	8,373	0	(8,373)
Business Funds					
Sewer	98,121	0	98,121	44,174	(53,947)
Solid Waste	303,573	0	303,573	138,151	(165,422)
Water	590,437	0	590,437	314,722	(275,715)

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2A

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

GENERAL FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Chase County	\$ 359,733	\$ 339,420	\$ 334,142	\$ 5,278
Liquor Tax	1,291	1,248	1,436	(188)
Community Building Rent	3,690	4,575	2,500	2,075
Court Fees	311	561	300	261
Franchise Fees	43,942	39,760	41,000	(1,240)
Interest on Idle Funds	1,530	1,531	0	1,531
Licenses & Permits	591	992	850	142
Municipal Building Rental	4,741	5,603	5,170	433
Park Rental	3,247	5,599	3,000	2,599
Street	58	780	150	630
Fireworks	4,825	3,060	6,000	(2,940)
Swimming Pool	17,405	19,470	18,500	970
Misc Reimbursements & Other	24,279	17,327	15,834	1,493
Transfers In	0	0	0	0
Total Receipts	<u>465,643</u>	<u>439,926</u>	<u>428,882</u>	<u>11,044</u>
Expenditures				
General Government	123,666	169,164	387,548	(218,384)
Streets	55,359	94,144	60,000	34,144
Airport	2,985	4,216	4,000	216
Pool	42,143	46,175	45,000	1,175
Parks	34,088	34,185	52,000	(17,815)
Public Safety	20,730	26,389	25,000	1,389
Employee Benefits	42,777	44,693	42,000	2,693
Law Enforcement	3,817	5,933	9,000	(3,067)
Housing Authority	9,600	9,600	9,600	0
Industrial Development	6,000	6,000	6,000	0
Dump	4,152	5,191	3,500	1,691
Fireworks	4,310	3,492	3,500	(8)
Transfers out	0	0	0	0
Total Expenditures	<u>349,627</u>	<u>449,182</u>	<u>647,148</u>	<u>(197,966)</u>
Receipts Over (Under) Expenditures	116,016	(9,256)	<u>\$ (218,266)</u>	<u>\$ 209,010</u>
Unencumbered Cash, January 1	<u>181,771</u>	<u>297,787</u>		
Unencumbered Cash, December 31	<u>\$ 297,787</u>	<u>\$ 288,531</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2B

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SALES TAX FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sales Tax	\$ 171,834	\$ 161,029	\$ 155,000	\$ 6,029
Other reimbursements	0	0	0	0
Total Receipts	<u>171,834</u>	<u>161,029</u>	<u>155,000</u>	<u>6,029</u>
Expenditures				
Beautification, Econ Dev & Streets	216,933	77,512	332,530	(255,018)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>216,933</u>	<u>77,512</u>	<u>332,530</u>	<u>(255,018)</u>
Receipts Over (Under) Expenditures	(45,099)	83,517	<u>\$ (177,530)</u>	<u>\$ 261,047</u>
Unencumbered Cash, January 1	<u>242,530</u>	<u>197,431</u>		
Unencumbered Cash, December 31	<u>\$ 197,431</u>	<u>\$ 280,948</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2C

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
State of Kansas Gas Tax	\$ 23,730	\$ 23,728	\$ 23,500	\$ 228
Other Receipts	0	0	0	0
Total Receipts	<u>23,730</u>	<u>23,728</u>	<u>23,500</u>	<u>228</u>
Expenditures				
Contractual Services	37,623	3,460	8,000	(4,540)
Commodities	5,002	28,810	6,000	22,810
Capital Outlay	832	0	35,005	(35,005)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>43,457</u>	<u>32,270</u>	<u>49,005</u>	<u>(16,735)</u>
Receipts Over (Under) Expenditures	(19,727)	(8,542)	<u>\$ (25,505)</u>	<u>\$ 16,963</u>
Unencumbered Cash, January 1	<u>50,705</u>	<u>30,978</u>		
Unencumbered Cash, December 31	<u>\$ 30,978</u>	<u>\$ 22,436</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2D

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SPECIAL PARKS AND RECREATION

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Liquor Tax	\$ 1,291	\$ 1,247	\$ 1,436	\$ (189)
Other Receipts	0	0	0	0
Total Receipts	<u>1,291</u>	<u>1,247</u>	<u>1,436</u>	<u>(189)</u>
Expenditures				
Parks & Recreation	3,000	0	8,373	(8,373)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>3,000</u>	<u>0</u>	<u>8,373</u>	<u>(8,373)</u>
Receipts Over (Under) Expenditures	(1,709)	1,247	<u>\$ (6,937)</u>	<u>\$ 8,184</u>
Unencumbered Cash, January 1	<u>6,608</u>	<u>4,899</u>		
Unencumbered Cash, December 31	<u>\$ 4,899</u>	<u>\$ 6,146</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2E

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

MUNICIPAL EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Miscellaneous Receipts	\$ 0	\$ 250
Transfers In	0	0
Total Receipts	<u>0</u>	<u>250</u>
Expenditures		
Equipment	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	250
Unencumbered Cash, January 1	<u>2,311</u>	<u>2,311</u>
Unencumbered Cash, December 31	<u>\$ 2,311</u>	<u>\$ 2,561</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2F

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

CAPITAL IMPROVEMENT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Grant Proceeds	\$ 0	\$ 0
Loan Proceeds	0	0
Transfers	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Capital Improvements	0	0
Reimburse water fund for project expenditures	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2G

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SWOPE PARK EQUIPMENT

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Other	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Park equipment	10	0
Other	0	0
Total Expenditures	<u>10</u>	<u>0</u>
Receipts Over (Under) Expenditures	(10)	0
Unencumbered Cash, January 1	<u>7,261</u>	<u>7,251</u>
Unencumbered Cash, December 31	<u>\$ 7,251</u>	<u>\$ 7,251</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2H

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

STREETSCAPE

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 400
Other	0	0
Total Receipts	<u>0</u>	<u>400</u>
Expenditures		
Contractual	0	0
Commodities	17	151
Total Expenditures	<u>17</u>	<u>151</u>
Receipts Over (Under) Expenditures	(17)	249
Unencumbered Cash, January 1	<u>972</u>	<u>955</u>
Unencumbered Cash, December 31	<u>\$ 955</u>	<u>\$ 1,204</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 21

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

COMMUNITY BUILDING EQUIPMENT

	Prior Year Actual	Current Year Actual
Receipts		
Miscellaneous	\$ 0	\$ 0
Other Receipts	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Equipment	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>85</u>	<u>85</u>
Unencumbered Cash, December 31	<u><u>\$ 85</u></u>	<u><u>\$ 85</u></u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2J

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

VETERANS MEMORIAL

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 415	\$ 240
Other Receipts	127	40
Total Receipts	<u>542</u>	<u>280</u>
Expenditures		
Contractual	250	250
Commodities	272	2,130
Total Expenditures	<u>522</u>	<u>2,380</u>
Receipts Over (Under) Expenditures	20	(2,100)
Unencumbered Cash, January 1	<u>6,011</u>	<u>6,031</u>
Unencumbered Cash, December 31	<u>\$ 6,031</u>	<u>\$ 3,931</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

COTTONWOOD FALLS VOLUNTEERS

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Other	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Contractual	0	0
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>80</u>	<u>80</u>
Unencumbered Cash, December 31	<u><u>\$ 80</u></u>	<u><u>\$ 80</u></u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

POOL RENOVATION

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Expenditures		
Capital Outlay	0	0
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>5,000</u>	<u>5,000</u>
Unencumbered Cash, December 31	<u>\$ 5,000</u>	<u>\$ 5,000</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2M

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

BILL NORTH COURTYARD

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Other receipts	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Commodities	0	0
Contractual	775	770
Total Expenditures	<u>775</u>	<u>770</u>
Receipts Over (Under) Expenditures	(775)	(770)
Unencumbered Cash, January 1	<u>1,560</u>	<u>785</u>
Unencumbered Cash, December 31	<u>\$ 785</u>	<u>\$ 15</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2N

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

CHASE DISC GOLF

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 1,865	\$ 85
Other receipts	370	150
Total Receipts	<u>2,235</u>	<u>235</u>
Expenditures		
Commodities	1,375	0
Contractual	660	1,490
Capital Outlay	0	0
Total Expenditures	<u>2,035</u>	<u>1,490</u>
Receipts Over (Under) Expenditures	200	(1,255)
Unencumbered Cash, January 1	<u>1,821</u>	<u>2,021</u>
Unencumbered Cash, December 31	<u>\$ 2,021</u>	<u>\$ 766</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 20

Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

CHRISTMAS LIGHTS

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Other	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Commodities	0	0
Contractual	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>81</u>	<u>81</u>
Unencumbered Cash, December 31	<u>\$ 81</u>	<u>\$ 81</u>

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2P

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SEWER

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Charges for Services	\$ 40,102	\$ 38,753	\$ 40,000	\$ (1,247)
Other Receipts	0	0	300	(300)
Total Receipts	<u>40,102</u>	<u>38,753</u>	<u>40,300</u>	<u>(1,547)</u>
Expenditures				
Personal Service	19,784	20,148	21,000	(852)
Contractual	14,633	18,280	16,000	2,280
Commodities	6,191	5,746	5,000	746
Capital Outlay	9,341	0	56,121	(56,121)
Total Expenditures	<u>49,949</u>	<u>44,174</u>	<u>98,121</u>	<u>(53,947)</u>
Receipts Over (Under) Expenditures	(9,847)	(5,421)	<u>\$ (57,821)</u>	<u>\$ 52,400</u>
Unencumbered Cash, January 1	<u>58,521</u>	<u>48,674</u>		
Unencumbered Cash, December 31	<u>\$ 48,674</u>	<u>\$ 43,253</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2Q

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SOLID WASTE

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Charges for Services	\$ 155,480	\$ 154,439	\$ 162,400	\$ (7,961)
Other Receipts	285	1,844	200	1,644
Total Receipts	<u>155,765</u>	<u>156,283</u>	<u>162,600</u>	<u>(6,317)</u>
Expenditures				
Personal Service	66,455	65,638	61,000	4,638
Contractual	40,352	44,562	40,000	4,562
Commodities	16,311	15,783	20,000	(4,217)
Capital Outlay	17,187	12,168	182,573	(170,405)
Total Expenditures	<u>140,305</u>	<u>138,151</u>	<u>303,573</u>	<u>(165,422)</u>
Receipts Over (Under) Expenditures	15,460	18,132	<u>\$ (140,973)</u>	<u>\$ 159,105</u>
Unencumbered Cash, January 1	<u>98,373</u>	<u>113,833</u>		
Unencumbered Cash, December 31	<u>\$ 113,833</u>	<u>\$ 131,965</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 2R

Schedule of Receipts and Expenditures-Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019  
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

WATER

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Charges for Services	\$ 306,775	\$ 287,468	\$ 300,000	\$ (12,532)
Reimburse for water project from CIP	7,375	0	0	0
Other Receipts	3,600	4,933	5,500	(567)
Total Receipts	<u>317,750</u>	<u>292,401</u>	<u>305,500</u>	<u>(13,099)</u>
Expenditures				
Personal Service	72,253	62,099	67,000	(4,901)
Contractual	15,420	8,376	20,000	(11,624)
Commodities	25,672	17,762	25,000	(7,238)
Water purchased	156,273	154,225	155,000	(775)
Capital Outlay	1,785	0	251,177	(251,177)
Loan payments	72,260	72,260	72,260	0
Total Expenditures	<u>343,663</u>	<u>314,722</u>	<u>590,437</u>	<u>(275,715)</u>
Receipts Over (Under) Expenditures	(25,913)	(22,321)	<u>\$ (284,937)</u>	<u>\$ 262,616</u>
Unencumbered Cash, January 1	<u>318,697</u>	<u>292,784</u>		
Unencumbered Cash, December 31	<u>\$ 292,784</u>	<u>\$ 270,463</u>		

See accompanying auditor's report.

City of Cottonwood Falls  
Chase County, Kansas

Schedule 3

Schedule of Receipts and Disbursements  
Regulatory Basis  
For the Year Ended December 31, 2019

AGENCY FUNDS

Fund	Cash Balance Beginning	Cash Receipts	Cash Disbursements	Cash Balance End
Customer Deposits	\$ 1,100	\$ 0	\$ 50	\$ 1,050
Payroll Clearing	1,026	104,641	106,201	(534)
Sales Tax Clearing	1,774	2,801	3,019	1,556
Total	<u>\$ 3,900</u>	<u>\$ 107,442</u>	<u>\$ 109,270</u>	<u>\$ 2,072</u>

See accompanying auditor's report.